



The UCA Audit Committee Annual Report 2023

## 1. Introduction

---

The Audit Committee of the United Cooperative Assurance Company is pleased to present its annual report to the company's shareholders for the fiscal year ending 31 December 2023, detailing its performance in accordance with the provisions of the Cooperative Insurance Companies Control Law and the governance regulations issued by the Saudi Central Bank / Insurance Authority and the Capital Market Authority. In addition, the report includes the committee's opinion on the adequacy of the company's internal control and financial systems, as well as the committee's activities within its mandate.

## 2. Responsibilities of the Audit Committee

---

The Audit Committee is responsible for monitoring the company's operations, and has the right to access its records and documents and request clarification or explanations from the Board of Directors or the executive management. The committee carries out its mandated tasks, including oversight of internal audit work, compliance and risk management, and anti-money laundering issues, evaluating the company's internal control systems, studying the preliminary and annual financial statements and accounting policies, and recommending the appointment of the company's external auditors to the Board of Directors and the General Assembly.

The committee is also tasked to study and evaluate reports from regulatory bodies regarding the company's compliance with regulations and instructions and recommends appropriate mechanisms to enable employees to report any violations. The committee submits its recommendations to the Board of Directors.

In accordance with its terms of reference, the Audit Committee plays a leading role in assisting the Board of Directors in fulfilling its obligations regarding the company's financial statements' accuracy, evaluating the independence of the company's external auditors, ensuring the quality of disclosure, accounting policies, controls, and the company's compliance with ethical policies.

The Audit Committee of United Cooperative Assurance Company consists of a chairman whom is chosen from among the independent Board members and three other independent members from outside the Board whom are fulfilled with experience, skills, and knowledge. The committee holds at least six meetings each year, and the meetings are attended by executives from finance, internal audit, compliance, risk, cybersecurity, and representatives of the external auditors, as well as senior executives from the company when necessary.



## 6. Tasks of the Audit Committee and its main activities during the year 2022:

---

During the year 2023, the Audit Committee carried out many activities, and the following is a summary of its most important work:

### First: Financial Statements

The Audit Committee studied the quarterly and annual financial statements of the company, where important issues were discussed with the financial management of the company and external auditors. The committee also reviewed comparisons and verified the reasons for significant changes, adequacy of disclosures, application of policies and accounting standards.

During the year, the committee discussed and obtained opinions from auditors on the company's cooperation in providing all required documents and answering their inquiries. Additionally, the committee obtained confirmation from the auditors that there were no significant observations on the fairness of the company's financial statements. The committee expressed its opinion and recommendations to the Board of Directors on these matters.

### Second: External Auditors

The committee recommended the nomination of the company's auditors to the Board of Directors and the General Assembly. After studying the offers presented, committee recommended the company's auditors to the Board and the General Assembly of the company which was held on 03 Jul 2023.

After studying the proposals submitted, the General Assembly of the company which was held on 03 Jul 2023 approved the appointment of Ibrahim Ahmed Albassam & Partners (PKF), Al-Athaim, Al-Sudairi, Al-Sheikh and their partners as auditors for the company's accounts for the year 2023 and the first quarter of 2024.

### Third: Internal Audit

Apart of its mandate, the committee approved the annual internal audit work plan, and also monitored and reviewed the internal audit reports made during the year and evaluated the progress and achievements. The committee provided the executive management with guidance on addressing shortcomings.

### Fourth: Compliance

The committee discussed the periodic reports submitted by the compliance and anti-money laundering management and approved the annual compliance plan. The committee also assessed the adequacy of the efforts made to improve the company's compliance and reviewed the most important reports of the supervisory & regulatory authorities.

## **7. Annual review of the effectiveness and procedures of internal controls:**

The company follows a control framework based on three defensive lines, and the different departments and business sectors (first defensive line) in the company align their activities with the applicable rules, regulations, and company policies. Meanwhile, the internal control departments represented by finance, compliance, risk, and information security (second defensive line) measure, evaluate, and monitor different levels of risk in daily business operations to ensure compliance with regulatory requirements. These departments submit their reports to the risk and audit committees. The internal audit performs tasks (third defensive line) and is responsible for conducting necessary examinations and reviews to ensure the company and its employees comply with the company's policies. In general, the effectiveness of internal control measures was reasonably confirmed in terms of covering important control aspects that significantly affect the company's achievement of its objectives.

## **Audit Committee Opinion on the Adequacy of the Internal Control System:**

The executive management of the company is responsible for establishing and maintaining an effective internal control system that includes all policies, procedures, and processes designed under the supervision of the Board of Directors to achieve the company's strategic objectives. The company has designed an integrated internal control system according to the recommendations of regulatory and supervisory authorities and evaluates and monitors internal control systems through control departments and relevant committees. Based on the reports presented to the committee by the internal audit, compliance, risk, and external auditors, and based on the confirmations and disclosures obtained from the executive management, the audit committee believes that the internal control system in place is working effectively, although some aspects of its effectiveness need improvement, especially since no internal control system, regardless of its design and application, can provide absolute assurance.

Chairman Of Audit Committee  
Mohammed Al-Yahya